



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

NAIC Group Code	0380	0380	NAIC Company Code	96202	Employer's ID Number	52-1358219
	(Current Period)	(Prior Period)				
Organized under the Laws of	District of Columbia			State of Domicile or Port of Entry	District of Columbia	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []	
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]	
	Hospital, Medical & Dental Service or Indemnity []		Is HMO, Federally Qualified? Yes []		No [X]	
Incorporated/Organized	06/22/1984		Commenced Business	03/01/1985		
Statutory Home Office	840 First Street, NE			Washington, DC 20065		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	10455 Mill Run Circle					
	(Street and Number)					
	Owings Mills, MD 21117		410-581-3000			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	10455 Mill Run Circle			Owings Mills, MD 21117		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	10455 Mill Run Circle					
	(Street and Number)					
	Owings Mills, MD 21117		410-998-7011			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Website Address	www.carefirst.com					
Statutory Statement Contact	William Vincent Stack			410-998-7011		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	bill.stack@carefirst.com			410-998-6850		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	840 First Street, NE					
	(Street and Number)					
	Washington, DC 20065		866-520-6099			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number) (Extension)			

OFFICERS

Name	Title	Name	Title
Eric Randolph Baugh M.D.	President, Sr VP & Chief Medical Officer	Lisa Marlene Myers #	Secretary & Assoc. Gen. Counsel
Jeanne Ann Kennedy	Corporate Treasurer & VP		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Eric Randolph Baugh M.D.	David Donald Wolf	Gregory Mark Chaney	Gregory Allen Devou
Teresa Gardner Harrison	John Edward Herold	Robert Isaac Jeffrey	Leon Kaplan
John Anthony Picciotto			

State of
County of
ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Eric Randolph Baugh M.D. President, Sr VP & Chief Medical Officer	Lisa Marlene Myers # Secretary & Assoc. Gen. Counsel	Jeanne Ann Kennedy Corporate Treasurer & VP
Subscribed and sworn to before me this		a. Is this an original filing? Yes [X] No []
day of ,		b. If no,
		1. State the amendment number
		2. Date filed
		3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	254,456,342		254,456,342	236,643,410
2. Stocks (Schedule D):				
2.1 Preferred stocks	5,703,827		5,703,827	2,115,570
2.2 Common stocks	64,773,924		64,773,924	30,426,200
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	13,063,840
5. Cash (\$ (470,586) , Schedule E, Part 1), cash equivalents (\$ 0 , Schedule E, Part 2) and short-term investments (\$ 44,463,872 , Schedule DA).....	43,993,287		43,993,287	61,954,943
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)	161,728	0	161,728	166,568
8. Receivables for securities	251,839		251,839	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	369,340,947	0	369,340,947	344,370,531
11. Title plants less \$ charged off (for Title Insurers only)			0	
12. Investment income due and accrued	2,724,480		2,724,480	2,691,422
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	29,397,590		29,397,590	23,285,277
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans	1,039,522	42,960	996,562	604,972
16.1 Current federal and foreign income tax recoverable and interest thereon			0	144,573
16.2 Net deferred tax asset.....	3,112,917		3,112,917	2,777,975
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	8,076,863		8,076,863	0
22. Health care (\$ 35,581,689) and other amounts receivable.....	39,833,406	4,251,717	35,581,689	29,605,534
23. Aggregate write-ins for other than invested assets	4,712,275	692,646	4,019,629	4,486,304
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	458,238,000	4,987,323	453,250,677	407,966,588
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	458,238,000	4,987,323	453,250,677	407,966,588
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Other Assets Not Admitted-Prepaid Expenses.....	692,646	692,646	0	0
2302. Intangible Assets - TDN.....	4,019,629		4,019,629	4,486,304
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	4,712,275	692,646	4,019,629	4,486,304

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	113,804,449	6,093,573	119,898,022	95,004,232
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	4,922,600	263,600	5,186,200	4,078,292
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	44,298,034		44,298,034	38,066,368
9. General expenses due or accrued	22,778,472		22,778,472	18,900,802
10.1 Current federal and foreign income tax payable and interest thereon (including \$1,900,521 on realized capital gains (losses))	5,788,361		5,788,361	3,548,085
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others	14,734		14,734	2,029,290
13. Remittance and items not allocated	360		360	162,377
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	1,089,865		1,089,865	22,224,425
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans			0	373,685
21. Aggregate write-ins for other liabilities (including \$0 current)	564,612	0	564,612	1,439,082
22. Total liabilities (Lines 1 to 21)	193,261,487	6,357,173	199,618,660	185,826,638
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	203,006,267	171,514,200
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	253,632,017	222,139,950
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	453,250,677	407,966,588
DETAILS OF WRITE-INS				
2101. Amounts held for escheatment to state	564,612		564,612	1,439,082
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	564,612	0	564,612	1,439,082
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,250,603	4,599,200
2. Net premium income (including \$0 non-health premium income).....	XXX	1,285,226,181	1,044,153,534
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,285,226,181	1,044,153,534
Hospital and Medical:			
9. Hospital/medical benefits	16,346,627	775,352,245	601,176,656
10. Other professional services		16,067,534	14,715,739
11. Outside referrals	29,157,198	29,157,198	29,329,088
12. Emergency room and out-of-area	7,938,472	55,934,285	46,860,076
13. Prescription drugs		174,665,334	135,255,768
14. Aggregate write-ins for other hospital and medical.....	0	274,000	2,360,816
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	53,442,297	1,051,450,596	829,698,143
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	53,442,297	1,051,450,596	829,698,143
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$12,062,012 cost containment expenses.....		41,323,212	41,896,926
21. General administrative expenses.....		173,518,159	136,315,606
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	53,442,297	1,266,291,967	1,007,910,675
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	18,934,214	36,242,859
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		13,142,259	12,130,009
26. Net realized capital gains (losses) less capital gains tax of \$1,900,521		7,602,085	3,540,257
27. Net investment gains (losses) (Lines 25 plus 26)	0	20,744,344	15,670,266
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	74,618	(467,266)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	39,753,176	51,445,859
31. Federal and foreign income taxes incurred	XXX	6,654,735	11,043,347
32. Net income (loss) (Lines 30 minus 31)	XXX	33,098,441	40,402,512
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Legal fees.....	0	274,000	2,360,816
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	274,000	2,360,816
2901. Miscellaneous Income/Expense.....	0	74,618	(467,266)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	74,618	(467,266)

CAPITAL AND SURPLUS ACCOUNT

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	222,139,950	179,371,452
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	33,098,441	40,402,512
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$55,507	222,027	2,028,581
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax	(992,518)	1,555,877
39. Change in nonadmitted assets	(835,883)	(1,240,278)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	21,806
48. Net change in capital & surplus (Lines 34 to 47)	31,492,067	42,768,498
49. Capital and surplus end of reporting period (Line 33 plus 48)	253,632,017	222,139,950
DETAILS OF WRITE-INS		
4701. AWI for gains/losses in surplus.....		48,420
4702. Miscellaneous.....		(26,614)
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	21,806

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,285,345,533	.0
2. Net investment income	14,794,841	.0
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	1,300,140,374	.0
5. Benefits and loss related payments	1,034,091,051	.0
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		.0
7. Commissions, expenses paid and aggregate write-ins for deductions	210,588,226	.0
8. Dividends paid to policyholders .....		.0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	6,170,407	0
10. Total (Lines 5 through 9)	1,250,849,684	0
11. Net cash from operations (Line 4 minus Line 10)	49,290,690	0
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	627,995,448	.0
12.2 Stocks	17,730,950	.0
12.3 Mortgage loans	0	.0
12.4 Real estate	18,951,233	.0
12.5 Other invested assets	0	.0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	.0
12.7 Miscellaneous proceeds	763,662	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	665,441,293	.0
13. Cost of investments acquired (long-term only):		
13.1 Bonds	646,137,979	.0
13.2 Stocks	53,194,591	.0
13.3 Mortgage loans	0	.0
13.4 Real estate	0	.0
13.5 Other invested assets	0	.0
13.6 Miscellaneous applications	946,295	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	700,278,865	.0
14. Net increase (or decrease) in contract loans and premium notes	0	.0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(34,837,572)	.0
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	.0
16.2 Capital and paid in surplus, less treasury stock.....	0	.0
16.3 Borrowed funds	0	.0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		.0
16.5 Dividends to stockholders	0	.0
16.6 Other cash provided (applied).....	(32,414,774)	0
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(32,414,774)	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(17,961,656)	.0
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	61,954,943	.0
19.2 End of period (Line 18 plus Line 19.1).....	43,993,287	0

No information is provided for prior year due to the merger of a subsidiary into the Company. Restatement is not required per SSAP 68.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE CareFirst BlueChoice, Inc.

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	1,285,226,181	1,246,442,012	.0	.0	.0	38,784,169	.0	.0	.0	.0	.0	.0	.0
2. Change in unearned premium reserves and reserve for rate credit .....	.0												
3. Fee-for-service (net of \$ medical expenses) .....	.0												XXX
4. Risk revenue .....	.0												XXX
5. Aggregate write-ins for other health care related revenues .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	1,285,226,181	1,246,442,012	.0	.0	.0	38,784,169	.0	.0	.0	.0	.0	.0	.0
8. Hospital/medical/ benefits	775,352,245	748,262,357				27,097,515	(7,627)						XXX
9. Other professional services	16,067,534	15,506,352				561,340	(158)						XXX
10. Outside referrals	29,157,198	28,138,840				1,018,645	(287)						XXX
11. Emergency room and out-of-area	55,934,285	53,980,698				1,954,137	(550)						XXX
12. Prescription Drugs	174,665,334	168,564,890				6,102,161	(1,717)						XXX
13. Aggregate write-ins for other hospital and medical	274,000	274,000	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	.0												XXX
15. Subtotal (Lines 8 to 14)	1,051,450,596	1,014,727,137	.0	.0	.0	36,733,798	(10,339)	.0	.0	.0	.0	.0	XXX
16. Net reinsurance recoveries .....	.0												XXX
17. Total medical and hospital (Lines 15 minus 16)	1,051,450,596	1,014,727,137	.0	.0	.0	36,733,798	(10,339)	.0	.0	.0	.0	.0	XXX
18. Non-health claims (net) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$ 12,062,012 cost containment expenses	41,323,211	40,416,120				907,091							
20. General administrative expenses	173,518,159	171,617,463				1,119,696						781,000	
21. Increase in reserves for accident and health contracts .....	.0												XXX
22. Increase in reserves for life contracts .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,266,291,966	1,226,760,720	.0	.0	.0	38,760,585	(10,339)	.0	.0	.0	.0	781,000	.0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	18,934,215	19,681,292	0	0	0	23,584	10,339	0	0	0	0	(781,000)	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Legal fees	274,000	274,000											XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	274,000	274,000	0	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,246,442,012			1,246,442,012
2. Medicare Supplement .....				.0
3. Dental Only .....				.0
4. Vision Only .....				.0
5. Federal Employees Health Benefits Plan	38,784,169			38,784,169
6. Title XVIII - Medicare .....				.0
7. Title XIX - Medicaid .....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health .....				.0
12. Health subtotal (Lines 1 through 11)	1,285,226,181	.0	.0	1,285,226,181
13. Life .....				.0
14. Property/Casualty .....				.0
15. Totals (Lines 12 to 14)	1,285,226,181	0	0	1,285,226,181

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non- Health
1. Payments during the year:													
1.1 Direct	1,032,537,822	996,114,024				36,423,798							
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	1,032,537,822	996,114,024	0	0	0	36,423,798	0	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	119,898,022	116,283,044	0	0	0	3,614,978	0	0	0	0	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	119,898,022	116,283,044	0	0	0	3,614,978	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year													
6. Net healthcare receivables (a)													
7. Amounts recoverable from reinsurers December 31, current year	(5,981,017)	(5,981,017)											
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	95,004,231	91,688,914	0	0	0	3,304,978	10,339	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	95,004,231	91,688,914	0	0	0	3,304,978	10,339	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	1,051,450,596	1,014,727,137	0	0	0	36,733,798	(10,339)	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,051,450,596	1,014,727,137	0	0	0	36,733,798	(10,339)	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ 32,574,438 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	5,657,161	5,486,581				170,580							
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	5,657,161	5,486,581	0	0	0	170,580	0	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	114,240,861	110,796,463				3,444,398							
2.2. Reinsurance assumed	0					0							
2.3. Reinsurance ceded	0												
2.4. Net	114,240,861	110,796,463	0	0	0	3,444,398	0	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	0												
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	119,898,022	116,283,044	0	0	0	3,614,978	0	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	119,898,022	116,283,044	0	0	0	3,614,978	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	75,509,527	920,604,497	1,070,000	115,213,044	76,579,527	91,688,914
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan Premiums	3,098,041	33,325,757	20,000	3,594,978	3,118,041	3,304,978
6. Title XVIII - Medicare					0	10,339
7. Title XIX - Medicaid					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8)	78,607,568	953,930,254	1,090,000	118,808,022	79,697,568	95,004,231
10. Healthcare receivables (a)		5,981,017			0	
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9 - 10 + 11 + 12)	78,607,568	947,949,237	1,090,000	118,808,022	79,697,568	95,004,231

(a) Excludes \$ 32,574,438 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior		65,087	65,805	65,841	23,262	30,000
2. 2001		393,006	450,317	450,910	255,675	247,009
3. 2002		XXX	380,402	444,799	438,854	395,474
4. 2003		XXX	XXX	500,927	618,717	577,721
5. 2004		XXX	XXX	XXX	724,314	777,461
6. 2005		XXX	XXX	XXX	XXX	914,623

Section B – Incurred Health Claims - Hospital and Medical

	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior		29,451	29,937	29,964	29,768	30,000
2. 2001		251,767	246,792	246,722	246,009	247,009
3. 2002		XXX	406,047	395,183	393,757	395,474
4. 2003		XXX	XXX	593,986	575,657	577,721
5. 2004		XXX	XXX	XXX	794,274	778,531
6. 2005		XXX	XXX	XXX	XXX	1,029,837

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claim Payments	Claim Adjustment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Expense Payments (Col 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claim Adjustment Expenses	Total Claims and Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1. 2001	0	247,009		0.0	247,009	0.0			247,009	0.0
2. 2002	551,551	395,474		0.0	395,474	71.7			395,474	71.7
3. 2003	828,940	577,721	23,798	4.1	601,519	72.6			601,519	72.6
4. 2004	1,013,693	777,461	37,705	4.8	815,166	80.4	1,070	.46	816,282	80.5
5. 2005	1,246,442	914,623	36,321	4.0	950,944	76.3	115,213	5,026	1,071,183	85.9

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	5,034	5,056	5,002	1,599	1,599
2. 2001	58,404	64,869	64,905	12,051	12,054
3. 2002	XXX	45,426	53,942	52,863	52,873
4. 2003	XXX	XXX	34,140	38,703	38,759
5. 2004	XXX	XXX	XXX	29,803	32,833
6. 2005	XXX	XXX	XXX	XXX	33,326

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior	1,661	1,673	1,619	1,602	1,599
2. 2001	12,443	12,053	12,059	12,059	12,054
3. 2002	XXX	52,175	52,811	52,721	52,873
4. 2003	XXX	XXX	41,127	39,027	38,759
5. 2004	XXX	XXX	XXX	33,068	32,853
6. 2005	XXX	XXX	XXX	XXX	36,921

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001	.0	12,054		0.0	12,054	0.0			12,054	0.0
2. 2002	55,944	52,873		0.0	52,873	94.5			52,873	94.5
3. 2003	43,757	38,759	1,576	4.1	40,335	92.2			40,335	92.2
4. 2004	30,238	32,833	1,592	4.8	34,425	113.8	20	1	34,446	113.9
5. 2005	38,784	33,326	815	2.4	34,141	88.0	3,595	113	37,849	97.6

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior		33,556	33,556	33,556		
2. 2001		1,978	2,708	2,708	.0	
3. 2002		XXX	203	(230)	.0	
4. 2003		XXX	XXX	.6	.0	
5. 2004		XXX	XXX	XXX	(11)	(11)
6. 2005		XXX	XXX	XXX	XXX	0

Section B - Incurred Health Claims - Medicare

	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior						
2. 2001						
3. 2002		XXX				
4. 2003		XXX	XXX			
5. 2004		XXX	XXX	XXX		(11)
6. 2005		XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001	.0	.0		0.0	.0	0.0			.0	0.0
2. 2002	.0	.0		0.0	.0	0.0			.0	0.0
3. 2003	.0	.0	.0	0.0	.0	0.0			.0	0.0
4. 2004	.0	(11)	(1)	9.1	(12)	0.0			(12)	0.0
5. 2005	0	0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior		23,305	23,305	23,305		
2. 2001		30,102	30,056	30,056	.0	
3. 2002		XXX	438	(19)	.0	
4. 2003		XXX	XXX	(456)	2,058	
5. 2004		XXX	XXX	XXX	(32)	
6. 2005		XXX	XXX	XXX	XXX	0

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior						
2. 2001						
3. 2002		XXX				
4. 2003		XXX	XXX			2,058
5. 2004		XXX	XXX	XXX	(32)	(32)
6. 2005		XXX	XXX	XXX	XXX	0

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2001	.0	.0		0.0	.0	0.0			.0	0.0
2. 2002	14	.0		0.0	.0	0.0			.0	0.0
3. 2003	.0	2,058	84	4.1	2,142	0.0			2,142	0.0
4. 2004	.0	(32)	(2)	6.3	(34)	0.0			(34)	0.0
5. 2005		0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior		.0	.0	.0	.0	
2. 2001		.0	.0	.0	221	
3. 2002		XXX	.0	.0	(87)	
4. 2003		XXX	XXX	.0	310	
5. 2004		XXX	XXX	XXX	.0	193
6. 2005		XXX	XXX	XXX	XXX	0

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior						
2. 2001						
3. 2002		XXX				
4. 2003		XXX	XXX			
5. 2004		XXX	XXX	XXX	193	
6. 2005		XXX	XXX	XXX	XXX	193

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claim Payments	Claim Adjstment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Payments (Col 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claim Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1. 2001		.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
2. 2002		.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
3. 2003		.0	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
4. 2004		164	193	13	6.7	206	125.6			206	125.6
5. 2005			0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	126,982	127,722	127,704	24,861	31,599
2.	2001	483,490	547,950	548,579	267,947	259,063
3.	2002	XXX	426,469	498,492	491,630	448,347
4.	2003	XXX	XXX	534,617	659,788	618,538
5.	2004	XXX	XXX	XXX	754,074	810,444
6.	2005	XXX	XXX	XXX	XXX	947,949

Section B - Incurred Health Claims - Grand Total

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	31,112	31,610	31,583	31,370	31,599
2.	2001	264,210	258,845	258,781	258,781	259,063
3.	2002	XXX	458,222	447,994	446,478	448,347
4.	2003	XXX	XXX	635,113	614,684	618,538
5.	2004	XXX	XXX	XXX	827,503	811,534
6.	2005	XXX	XXX	XXX	XXX	1,066,758

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

		1	2	3	4	5	6	7	8	9	10
Years in which Premiums were Earned and Claims were Incurred		Premiums Earned	Claim Payments	Claim Adjustment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Expense Payments (Col 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claim Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1.	2001	0	259,063	0	0.0	259,063	0.0	0	0	259,063	0.0
2.	2002	607,509	448,347	0	0.0	448,347	73.8	0	0	448,347	73.8
3.	2003	872,697	618,538	25,458	4.1	643,996	73.8	0	0	643,996	73.8
4.	2004	1,044,095	810,444	39,307	4.9	849,751	81.4	1,090	47	850,888	81.5
5.	2005	1,285,226	947,949	37,136	3.9	985,085	76.6	118,808	5,139	1,109,032	86.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves	.0											
2. Additional policy reserves (a)	.0											
3. Reserve for future contingent benefits	.0											
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)	.0											
5. Aggregate write-ins for other policy reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded	.0											
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims	.0											
10. Reserve for future contingent benefits	.0											
11. Aggregate write-ins for other claim reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	915,275	1,726,798	5,547,996		8,190,069
2. Salaries, wages and other benefits.....	9,135,663	17,954,777	26,949,845		54,040,285
3. Commissions (less \$ceded plus \$ Assumed.....			92,631,263		92,631,263
4. Legal fees and expenses.....	1		687,328		687,329
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	277,200	656,267	718,237		1,651,704
7. Traveling expenses.....	95,747	164,583	812,855		1,073,185
8. Marketing and advertising.....	4,637	3,198	505,865		513,700
9. Postage, express and telephone.....	236,413	1,558,067	2,248,795		4,043,275
10. Printing and office supplies.....	112,176	231,162	1,429,240		1,772,578
11. Occupancy, depreciation and amortization.....					0
12. Equipment.....	40,511	98,049	359,813		498,373
13. Cost or depreciation of EDP equipment and software.....	331,067	1,730,126	8,526,762		10,587,955
14. Outsourced services including EDP, claims, and other services.....	151,204	3,394,345	5,123,472		8,669,021
15. Boards, bureaus and association fees.....	5,153	2,198	488,756		496,107
16. Insurance, except on real estate.....	177,761	427,666	400,730		1,006,157
17. Collection and bank service charges.....		6	92,209		92,215
18. Group service and administration fees.....					0
19. Reimbursements by uninsured accident and health plans.....			268,911		268,911
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			84,210		84,210
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			271,962		271,962
23.2 State premium taxes.....			20,040,015		20,040,015
23.3 Regulatory authority licenses and fees.....	1,769	74	1,266,589		1,268,432
23.4 Payroll taxes.....	571,140	1,070,521	1,505,603		3,147,264
23.5 Other (excluding federal income and real estate taxes).....	6,176	19,333	41,136		66,645
24. Investment expenses not included elsewhere.....				958,380	958,380
25. Aggregate write-ins for expenses.....	119	224,030	3,516,567	0	3,740,716
26. Total expenses incurred (Lines 1 to 25).....	12,062,012	29,261,200	173,518,159	958,380	(a).....215,799,751
27. Less expenses unpaid December 31, current year.....		5,186,200	22,778,472		27,964,672
28. Add expenses unpaid December 31, prior year.....	0	4,078,292	18,900,757	0	22,979,049
29. Amounts receivable relating to uninsured accident and health plans, prior year.....	0	0	633,636	0	633,636
30. Amounts receivable relating to uninsured accident and health plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	12,062,012	28,153,292	169,006,808	958,380	210,180,492
DETAIL OF WRITE-INS					
2501. Miscellaneous Expense Reimbursement.....			(382,517)		(382,517)
2502. Miscellaneous expense.....	(62)	(1,719)	3,514,878		3,513,097
2503. Amortization of Intangible - TDN.....			455,052		455,052
2598. Summary of remaining write-ins for Line 25 from overflow page.....	181	225,749	(70,846)	0	155,084
2599. Totals (Line 2501 thru 2503 plus 2598)(Line 25 above)	119	224,030	3,516,567	0	3,740,716

(a) Includes management fees of \$108,621,396 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) 2,606,309	..... 2,559,330
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) 9,244,571	..... 9,335,299
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) 240,120	..... 240,120
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	..... 1,162,631	..... 1,162,630
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	..... 494,922
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) 790,374	..... 803,797
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	..... 0	..... 100,687
10.	Total gross investment income	14,044,005	14,696,785
11.	Investment expenses		(g) 958,380
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13.	Interest expense		(h) 596,146
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		..... 0
16.	Total (Lines 11 through 15) .....		..... 1,554,526
17.	Net Investment Income - (Line 10 minus Line 16)		13,142,259
DETAILS OF WRITE-INS			
0901.	Interest Income - Miscellaneous .....		..... 47,514
0902.	Security lending income .....		..... 53,173
0903.	.....		.....
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	100,687
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

(a) Includes \$329,468 accrual of discount less \$1,882,391 amortization of premium and less \$6,481,908 paid for accrued interest on purchases.
(b) Includes \$78 accrual of discount less \$132,795 amortization of premium and less \$177 paid for accrued dividends on purchases.
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$958,380 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	..... 166,919	.....	.....	..... 166,919
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	..... 0
1.2	Other bonds (unaffiliated) .....	..... 1,056,397	..... (391,069)	..... 0	..... 665,328
1.3	Bonds of affiliates .....	..... 0	..... 0	..... 0	..... 0
2.1	Preferred stocks (unaffiliated) .....	..... (6,838)	.....	..... 0	..... (6,838)
2.11	Preferred stocks of affiliates .....	..... 0	..... 0	..... 0	..... 0
2.2	Common stocks (unaffiliated) .....	..... 3,093,183	..... (303,379)	..... 56,376	..... 2,846,180
2.21	Common stocks of affiliates .....	..... 0	..... 0	..... (40,499)	..... (40,499)
3.	Mortgage loans .....	.....	.....	.....	..... 0
4.	Real estate .....	..... 5,887,393	.....	.....	..... 5,887,393
5.	Contract loans .....	.....	.....	.....	..... 0
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	..... 0
7.	Derivative instruments .....	.....	.....	.....	..... 0
8.	Other invested assets .....	.....	.....	.....	..... 0
9.	Aggregate write-ins for capital gains (losses) .....	..... 0	..... 0	..... 0	..... 0
10.	Total capital gains (losses)	10,197,053	(694,448)	15,877	9,518,483
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E, Part 1), cash equivalents (Schedule E, Part 2) and short -term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	42,960	1,184	(41,776)
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	1,382,967	1,382,967
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	61,162	61,162
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	4,251,717	2,693,627	(1,558,090)
23. Aggregate write-ins for other than invested assets	692,646	12,500	(680,146)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	4,987,323	4,151,440	(835,883)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	4,987,323	4,151,440	(835,883)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Other Assets Not Admitted-Prepaid Expenses.....	692,646	12,500	(680,146)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	692,646	12,500	(680,146)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	359,342	375,294	392,749	408,334	401,248	4,713,155
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	46,276	44,730	44,475	44,798	45,099	537,448
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	405,618	420,024	437,224	453,132	446,347	5,250,603
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Accounting Practices

The financial statements of CareFirst BlueChoice, Inc. (the Company) are presented on the basis of accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from those amounts provided in the accompanying statutory basis financial statements.

Accounting Policy

Fair Value of Financial Instruments

The carrying amounts of cash and short-term investments, stocks (other than investments in subsidiaries), advances to providers, uncollected premiums, amounts receivable relating to uninsured accident and health plans, miscellaneous accounts receivable, investment income receivable, other assets, claims unpaid, accrued expenses, premiums received in advance, group experience funds and advances, and other liabilities approximate fair value given the short-term nature of these financial instruments.

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at market value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to Unassigned Funds (Surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically evaluates whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. Declines in value below cost for debt securities where it is considered probable that all contractual terms of the security will be satisfied, the decline is due primarily to changes in interest rates (and not because of increased credit risk), and where the Company intends and has the ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other than temporary. Declines in fair value below cost that are deemed to be other than temporary are recorded as realized losses and are included in investment gain, net in the accompanying statements of revenue and expenses – statutory basis. Based on its evaluation, the Company has recorded an other than temporary impairment of investments of \$751,000 for the year ended December 31, 2005. There were no other than temporary impairments of investments for the year ended December 31, 2004.

Bonds

Bonds are carried at amortized cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. The Company's policy is to recognize any realized gains or losses on a specific identification basis. Changes in admitted asset carrying amounts are charged directly to unassigned surplus, unless the changes are losses deemed to be other than temporary as described above.

Preferred Stocks

Preferred Stocks are carried at cost. The Company's policy is to recognize any realized gains or losses on a specific identification basis.

Common Stocks

Common Stocks consist of mutual funds, investments in non-affiliated publicly traded companies and investments in subsidiaries valued in accordance with NAIC SAP.

Investments in Joint Ventures

The Company has minor ownership interests in joint ventures. The Company carries these interests based on the underlying audited GAAP equity of the investee.

Advances to Providers

The Company has advances on deposit with certain hospitals in the State of Maryland. These advances permit the Company to earn differentials of 2.25 and 2.00 percent of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value in the accompanying statements of admitted assets, liabilities, capital and surplus—statutory basis.

NOTES TO FINANCIAL STATEMENTS

Unpaid losses and loss adjustment expenses

The liability for unpaid claims and claim adjustment expenses includes medical claims payable and the related accrued claims processing expenses. Unpaid claims are computed in accordance with generally accepted actuarial practices and are based upon authorized health care services and past claims payment experience, together with current factors which, in management's judgment, require recognition in the calculation. These estimates are periodically reviewed and any adjustments are reflected in current operations.

Revenue recognition

Revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage and Federal Employee Program unearned premiums.

Uncollected premiums primarily represent unpaid amounts earned from employer groups and individuals for health benefits. Provision is made for potential adjustments which arise as a result of management or third party review.

Certain claim payments, premium rates, administrative expense reimbursements and provider discounts are subject to review and potential retroactive adjustment by third parties. Reserves are established for potential obligations arising from such reviews. Management believes that any potential claims will not be materially different from the amounts recorded in the accompanying statutory basis financial statements.

Claims Incurred

Claims incurred are recognized in the period in which members receive medical services. In addition to actual benefits paid, claims incurred include the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet date.

2. Accounting Changes and Corrections of Errors

The accompanying Statement of Assets and Statement of Liabilities, Capital and Surplus as of December 31, 2004 and the Statement of Revenues and Expenses for the year ended December 31, 2004 have been restated as required by NAIC Statement of Statutory Accounting Principles (SSAP) No. 3, *Accounting Changes and Corrections or Errors* as a result of the statutory merger between the Company and Delmarva Health Plan, Inc. (DHP) during 2005 (see also Note 10).

Pre-merger separate company admitted assets, liabilities and capital and capital and surplus as of December 31, 2004 were approximately \$407,926,000, \$185,786,000 and \$222,140,000, respectively, for the Company and \$8,102,000 \$41,000 and \$8,061,000, respectively, for DHP. Pre-merger separate company revenue, net income (loss) and other surplus adjustments for the year ended December 31, 2004 were approximately \$1,044,096,000, \$40,349,000 and \$2,420,000, respectively, for the Company and \$58,000, \$53,000 and \$22,000, respectively, for DHP.

3. Business Combinations and Goodwill

On November 1, 2004, the Company completed its acquisition of The Dental Network, Inc. and TDN Administrative Services, LLC (collectively, TDN) which market and administer managed dental benefits. The transaction was accounted for as a statutory purchase. The purchase price and related acquisition costs were approximately \$5,000,000. In addition, the terms of the transaction include a provision for additional contingent payments of up to \$1,500,000 based on TDN achieving certain performance targets during 2005 and 2006. In connection with this purchase, goodwill of approximately \$4,475,000 was recorded and is being amortized over an estimated life of ten years. As the 2005 performance targets were not achieved, no additional goodwill was recognized during 2005. Goodwill amortization expense was approximately \$455,000 and \$75,000 for the years ended December 31, 2005 and 2004.

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations:

In December 2000, management and the Board of Directors of CareFirst, Inc. adopted a formal plan for FSHP to fully exit its Medicare HMO segment effective December 31, 2000. In July 2000, management and the Board of Directors also adopted a formal plan for FSHP to fully exit its Medicaid HMO segment effective March 31, 2001. These segments included all of the operations surrounding FSHP's Medicare and Medicaid risk products. As of December 31, 2001, the Company had completed its exit from these businesses.

For the year ended December 31, 2004, net income from discontinued operations was approximately \$398,000. As required by statutory accounting practices, this amount is not reported separately as discontinued operations in the accompanying statutory-basis financial statements.

5. Investments

The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date. Prepayment assumptions for single and multi-class mortgage-backed/asset-backed securities were obtained from broker survey values. The Company uses Interactive Data Corporation (IDC) to determine the market value for these securities.

Real Estate
During 2004, the Company's real estate investments met the requirements to be classified as properties held for sale under SSAP No. 40, *Real Estate Investments*. Properties held for sale are carried at the lower of depreciated cost or fair value less encumbrances and estimated costs to sell the property. The intent to sell the property exists when management, having the authority to approve the action, has committed to a plan to dispose of the asset, either by sale or abandonment. As depreciated cost exceeded fair value less estimated costs to sell, a \$1,300,000 impairment loss (pre-tax) was recognized in the accompanying 2004 statement of income – statutory basis. Fair value was based on independent appraisals. During 2005, these buildings were sold, resulting in a pre-tax gain of approximately \$5,887,000. This gain is included as a component of net investment gains in the accompanying 2005 statement of income – statutory basis

6. Joint Ventures, Partnerships and Limited Liability Companies

The Company does not have any joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.

7. Investment Income

Not applicable.

8. Derivative Instruments

Not applicable.

9. Income Taxes

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Capital and Surplus are as follows:

					<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Total of gross deferred tax assets					4,468,512	5,570,274
Total of deferred tax liabilities					(1,355,595)	(1,409,331)
Net deferred tax asset					3,112,917	4,160,942
Deferred tax asset nonadmitted					0	(1,382,967)
Net admitted deferred tax asset					3,112,917	2,777,975
Decrease (increase) in nonadmitted asset					1,382,967	(1,200,448)

The provisions for incurred taxes on earnings:

				<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Federal provision				6,654,735	10,335,296
Federal income tax on net capital gains(losses)				1,900,521	708,051
Federal income taxes incurred				8,555,256	11,043,347

NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

						<u>Dec. 31,</u> <u>2005</u>		<u>Dec. 31,</u> <u>2004</u>
Deferred tax assets:								
	Bad debt					549,457		376,561
	Depreciation					0	0	938,504
	Discounted Unpaid Losses					534,831		475,481
	Legal Expense					733,459		693,459
	Accrued OPM Audit					0		402,070
	Unearned Premium					897,903		549,690
	FAS 115 Impairment					546,536		407,500
	Nonadmitted assets and other					<u>1,206,326</u>		<u>1,727,009</u>
		Total deferred tax assets				4,468,512		5,570,274
	Nonadmitted deferred tax assets					<u>0</u>		<u>(1,382,967)</u>
		Admitted deferred tax assets				4,468,512		4,187,307
Deferred tax liabilities:								
	FAS 115					(1,353,418)		(1,402,199)
	Other					<u>(2,177)</u>		<u>(7,133)</u>
		Total deferred tax liabilities				(1,355,595)		(1,409,332)
		Net Admitted deferred tax assets				3,112,917		2,777,975

The change in net deferred income taxes is comprised of the following:

				<u>Dec. 31,</u> <u>2005</u>		<u>Dec 31,</u> <u>2004</u>		<u>Change</u>
Total deferred tax assets				4,468,512		4,187,307		281,205
Total deferred tax liabilities				<u>(1,355,595)</u>		<u>(1,409,332)</u>		<u>53,737</u>
Net deferred tax asset(liability)				3,112,917		2,777,975		334,942
Tax effect of unrealized gains(losses)								<u>1,353,418</u>
Change in net deferred income tax, net of nonadmitted deferred tax assets								1,688,361

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

				<u>Dec. 31,</u> <u>2005</u>		<u>Effective</u> <u>Tax</u> <u>Rate</u>
Provision computed at statutory rate				8,330,739		20.00%
Accounts receivable				172,896		0.42%
Accrued expenses				388,213		0.93%
Investments				48,781		0.12%
Unpaid losses				59,350		0.14%
Changes in prior year estimates				(399,080)		-0.96%
Other accrued expenses				<u>(45,643)</u>		-0.11%
Total				8,555,256		20.54%
Federal income taxes incurred				8,555,256		20.54%
Change in net deferred income taxes				<u>(1,688,361)</u>		-4.05%
Total statutory income taxes				6,866,895		16.49%

The Company has accumulated Alternative Minimum Tax (AMT) credits of approximately \$33,015 at December 31, 2005. These credits can be used, in certain circumstances, to offset future regular tax.

The Company is included in the consolidated federal income tax return of CareFirst, Inc. The Company has a written agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity, which is a party to the consolidation. The agreement calls for an allocation based on the Company's pre-tax income after affecting for permanent differences at the alternative minimum tax rates. The federal tax allocation for both 2005 and 2004 was 20 percent of pre-tax income after permanent differences. These amounts are included in provision for income taxes in the accompanying statements of revenue and expenses and statements of capital and surplus--statutory basis.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company files separate state income tax returns and records its tax provision or benefit accordingly. The Company recorded state income tax expense of \$272,000 and \$6,759,000 for the years ended December 31, 2005 and December 31, 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries and Affiliates

The Company is a state-licensed health maintenance organization (HMO) that provides managed health care products and services to individuals and to employees of businesses and governmental agencies in the Washington, D.C. metropolitan area and the State of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers.

Through October 9, 2002, the Company was a wholly-owned subsidiary of Group Hospitalization and Medical Services, Inc. (GHMSI). GHMSI and CareFirst of Maryland, Inc. (CFMI) are both affiliates of a not-for-profit parent company, CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield. CFI also has a business affiliation with BCBSD, Inc.

On October 10, 2002, CFS Health Group, Inc. (CFS), a subsidiary of CFMI, transferred the net assets of its HMO subsidiaries to the Company. These HMO subsidiaries were FreeState Health Plan, Inc. (FSHP), Delmarva Health Plan, Inc. (DHP) and Preferred Health Network of Maryland, Inc. (PHN). The net assets of FSHP were merged into the Company, while DHP and PHN became wholly-owned subsidiaries of the Company. In exchange, CFS obtained a 60% equity interest in the Company, with the remaining 40% retained by GHMSI.

On January 24, 2002, the Company capitalized a new subsidiary, CapitalCare, Inc., in the amount of \$2,500,000, which consists of \$1,000 common stock and \$2,499,000 additional paid in capital. CapitalCare, Inc. is a health maintenance organization (HMO), which provides managed health care products and services to individuals and to employees of businesses in Northern Virginia. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers.

In 2004, in compliance with certain 2003 legislation in Maryland, CFI changed the structure and membership of the CFI Board of Directors. In response to the situation which led to the governance changes of the CFI Board of Directors, the CFI and BCBSD Board of Directors approved the restructuring of BCBSD's affiliation with CFI. On June 30, 2004, the Delaware Department of Insurance issued a ruling ordering termination of the affiliation agreement between CFI and BCBSD, but also providing that CFI could continue its affiliation with BCBSD on a contractual basis only if CFI transferred its corporate membership, BCBSA license and service mark back to the control of the BCBSD Board. That order was appealed by CareFirst and ultimately affirmed by the Delaware Supreme Court. The Maryland Insurance Commissioner rejected the proposed amendments to the BCBSD structural relationship and stated that CFI could appeal his decision, submit a new plan of affiliation, continue to operate under the existing agreement, or apply for permission to end the affiliation.

CFI subsequently filed a motion requesting that the Federal District Court in Baltimore, Maryland assume jurisdiction over this matter. Beginning January 6, 2005, all parties agreed to several time periods during which all pending actions would be stayed to allow further discussions among the parties. In September 2005, the CFI Board agreed for BCBSD to regain its independence by allowing it to no longer be structurally affiliated with CFI, but to enter into a contractual relationship, with the ability to return to a structural affiliation at a later time if agreeable to all of the parties. The change in affiliation would involve, among other things, the transfer of BCBSD's corporate membership, BCBSA license and service mark back to the control of the BCBSD Board. The proposed change in affiliation between CFI and BCBSD is subject to approvals of the insurance commissioners in Maryland, Delaware and the District of Columbia as well as approval by BCBSA, which approvals have not yet been received. Management believes that the proposed changes to the BCBSD affiliation, if approved by the regulatory authorities and BCBSA in their current form, would result in deconsolidation of BCBSD from CFI's consolidated GAAP financial statements on a prospective basis.

NOTES TO FINANCIAL STATEMENTS

In 2005, the Board approved certain proposed changes regarding their governance structure for CFI, CFMI and GHMSI. Revisions to those changes have subsequently been proposed which are now subject to approval by the CFI, GHMSI and CFMI Boards. Management believes the proposed changes would not impact CFI's control over CFMI or GHMSI. All proposed changes in governance structure are also subject to regulatory and BCBSA approval. In connection with these proposed changes, the CFMI and GHMSI Boards have agreed in principle to change the allocation of CareFirst BlueChoice's net income or loss from 60% CFMI and 40% GHMSI to an equal 50% interest by each owner retroactive to January 1, 2005. This agreement is subject to final Board, regulatory and BCBSA approval. There is no certainty at this time regarding the conclusion of these various matters. As of December 31, 2005, CFI maintains its full membership interest in BCBSD and control over the operations of BCBSD, CFMI, GHMSI and CareFirst BlueChoice. The future impact, if any, of the above actions on the accompanying financial statements cannot be determined.

The Company has an operating relationship with GHMSI and CFMI whereby GHMSI and CFMI provide substantially all non-medical administrative and corporate services which are allocated to the Company under a management agreement. Total charges for all services provided by GHMSI and CFMI were \$108,621,000 and \$89,875,000 during the years ended December 31, 2005 and 2004, respectively.

In March 2002 the Company became the holder of a \$5,000,000 subordinated, 6% per annum surplus note issued by DHP. The terms of the note prohibit the payment of interest and principal unless and until DHP has sufficient realized earned surplus to make such payments, after providing for its minimum required statutory capital and surplus, all required capital and surplus and other liabilities. Furthermore, payment of note principal and interest are subject to prior written authorization of the MIA. This note was eliminated upon the merger of the Company and DHP as of December 31, 2005.

In 2000, the Company entered into a \$21,000,000 term note payable with CFS which was due and repaid on June 30, 2005. The proceeds of the note were used to support ongoing operations of the Company. Interest expense, payable at the prime rate, during the years ended December 31, 2005 and 2004, was \$596,000 and \$919,000, respectively.

For certain fully insured point-of-service health care programs, the Company bears all of the in-network (HMO) underwriting risk and GHMSI bears the out-of-network (indemnity) underwriting risk. Cost of care for these products is charged directly to the Company and GHMSI based upon the nature of the claims incurred. Premiums on the health care programs are allocated between the Company and GHMSI based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums, is shared equally between the two companies.

As of December 31, 2005, the Company reported \$8,076,863 and \$1,089,865, as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

Not applicable.

12. Retirement Plans and Other Post-retirement Benefit Plans

Not applicable.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company has 25,000 shares authorized; 10,000 shares are issued and outstanding. The Company has no preferred stock outstanding.

The portion of unassigned funds as of December 31, 2005 represented by net unrealized gains is as follows: \$ 13,341,000

14. Contingencies

The healthcare and health insurance industries are subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program and participation requirements and reimbursement for patient services. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare insurers and providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

During 2003, a federal grand jury subpoena was served on CFI, its subsidiaries and affiliates, requesting information and documentation pertaining to the attempted conversion and sale of those companies to WellPoint (see Note 10). The subpoena covers the time period from January 1, 1998 to August 1, 2003. The companies have produced the documents specified in the subpoena and provided them to the U.S. Attorneys Office in Baltimore.

NOTES TO FINANCIAL STATEMENTS

Beginning in 1999, a series of class action lawsuits were filed against virtually all major entities in the health benefits business, including BCBSA and the BCBSA licensees. The suits allege that over a course of years the defendants have conspired to use criteria and standards for adjudication of provider claims that result in underpayment of provider claims. They allege that the defendants have been involved in a conspiracy to make false representations to providers and to conceal material information from providers about the manner in which claims are adjudicated. The plaintiffs assert that the alleged misconduct violates the Racketeer Influenced and Corrupt Organizations Act (RICO). Plaintiffs seek treble damages and injunctive relief under RICO. The Company is engaged in discovery in this matter. The Company intends to vigorously defend these proceedings; however, their ultimate outcomes cannot presently be determined. Various other lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records accruals for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying financial statements; however, there can be no assurance in this regard.

CFI and its affiliates have employment contracts and other benefit arrangements with certain executives which contain provisions that could trigger the acceleration of certain benefits and/or payment of additional compensation upon a change in control of CFI. These aforementioned potential incremental payments have not been accrued at December 31, 2005, as management believes all of the triggering events have not occurred.

In jurisdictions in which the Company is licensed to conduct business, associations have been created for the purpose, among others, of protecting insured parties under health insurance policies. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations.

The Company, through CFI, operates under licensing agreements with BCBSA whereby it uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA and is in compliance with all requirements.

The Company’s professional liability coverage is on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The claims-made policy has been renewed through April 30, 2006.

15. Leases

The Company leases office space under various non-cancelable operating lease agreements. Rental expense for 2005 and 2004, including allocations from CFMI and GHMSI was approximately \$6,142,000 and \$4,098,000, respectively.

Future noncancelable minimum payments for leases for which the Company is obligated, are as follows as of December 31, 2005:

For the year ending December 31:	
2006	\$ 305,000
2007	309,000
2008	103,000
Total	\$ 717,000

The Company is not involved in any sales - leaseback transactions.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The results from operations of uninsured ASC plans and the uninsured portion of partially insured plans was as follows for the year ended December 31:

	2005	2004
Gross reimbursement for medical costs incurred	\$ 5,683,000	\$ 24,669,000
Gross administrative fees accrued (refunded)	(269,000)	1,702,000
Gross expenses incurred	(6,196,000)	(27,263,000)
Net loss	\$(782,000)	\$(892,000)

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. September 11 Events

Not applicable.

21. Other Items

Not applicable.

22. Events Subsequent

Not applicable.

23. Reinsurance

Commutation of Ceded Reinsurance

The Company maintains a reinsurance agreement with GHMSI providing stop-loss coverage for inpatient hospital claims. This coverage does not have an expiration date. The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts which are reflected as:

(1) Losses incurred	\$	0
(2) Loss adjustment expenses incurred	\$	0
(3) Premiums earned	\$	0
(4) Other	\$	0
(5) Company	Group Hospitalization and Medical Services, Inc.	

24. Retrospectively Rated Contracts

Not applicable.

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has decreased by \$15,306,663 from \$95,004,231 in 2004 to \$79,697,568 in 2005 as a result of reestimation of unpaid claims and claim adjustment expenses, principally on group contracts, based on lower care trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

Not applicable.

27. Structured Settlements

Not applicable.

28. Health Care Receivables

Pharmacy Rebates receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2005	\$ 3,592,230	\$ –	\$ –	\$ –	\$ –
9/30/2005	3,421,551	3,592,230	625,057	–	–
6/30/2005	3,421,551	3,421,551	2,420,835	916,644	–
3/31/2005	3,221,644	3,221,644	3,221,644	–	–

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserve

Not applicable.

31. Salvage and Subrogation

The following discloses the estimated salvage and subrogation used in computing the Company’s unpaid claims liability:

Year Incurred	Amount
2004	510,731
2005	1,111,656

NOTES TO FINANCIAL STATEMENTS

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	28,000,803	7.581	28,000,803	7.581
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	22,231,663	6.019	22,231,663	6.019
1.22 Issued by U.S. government sponsored agencies	5,262,182	1.425	5,262,182	1.425
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	1,509,768	0.409	1,509,768	0.409
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations	2,713,632	0.735	2,713,632	0.735
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	4,185,198	1.133	4,185,198	1.133
1.512 Issued or guaranteed by FNMA and FHLMC	73,726,416	19.962	73,726,416	19.962
1.513 All other	1,381,022	0.374	1,381,022	0.374
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	3,778,114	1.023	3,778,114	1.023
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	13,102,320	3.547	13,102,320	3.547
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	98,565,228	26.687	98,565,228	26.687
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	75,254,627	20.375	75,254,627	20.375
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated	5,703,827	1.544	5,703,827	1.544
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated	31,090,837	8.418	31,090,837	8.418
3.4 Other equity securities:				
3.41 Affiliated		0.000		0.000
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	2,892,331	0.783	2,892,331	0.783
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000	0	0.000
5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities	251,839	0.068	251,839	0.068
8. Cash, cash equivalents and short-term investments	(470,586)	(0.127)	(470,586)	(0.127)
9. Other invested assets	161,728	0.044	161,728	0.044
10. Total invested assets	369,340,949	100.000	369,340,949	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?

District of Columbia and Maryland
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/18/2005
- 3.4

By what department or departments? District of Columbia Department of Insurance, Securities and Banking
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [X] No []
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
DELMARVA HEALTH PLAN	95574	MD

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

ERNST & YOUNG, LLP, 621 EAST PRATT STREET, BALTIMORE, MD 21202
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

EDWARD W. O'NEIL, FSA,MAAA, SENIOR VICE PRESIDENT AND CHIEF ACTUARY,10455 MILL RUN CIRCLE, OWINGS MILLS, MD, 21117
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

11.13

Total book/adjusted carrying value

\$
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
14.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
15.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

- 16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11

To directors or other officers

\$

16.12

To stockholders not officers

\$

16.13

Trustees, supreme or grand (Fraternal only)

\$
- 16.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21

To directors or other officers

\$

16.22

To stockholders not officers

\$

16.23

Trustees, supreme or grand (Fraternal only)

\$
- 17.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 17.2

If yes, state the amount thereof at December 31 of the current year:

17.21

Rented from others

\$

17.22

Borrowed from others

\$

17.23

Leased from others

\$

17.24

Other

\$
- 18.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 18.2

If answer is yes,

18.21

Amount paid as losses or risk adjustment

\$

18.22

Amount paid as expenses

\$

18.23

Other amounts paid

\$
- 19.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []
- 19.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$8,074,508

GENERAL INTERROGATORIES
INVESTMENT

- 20.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [] No [X]
- 20.2

If no, give full and complete information relating thereto:
SUNTRUST BANK
- 21.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1)

Yes [] No [X]
- 21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Loaned to others

\$.....

21.22

Subject to repurchase agreements

\$.....

21.23

Subject to reverse repurchase agreements

\$.....

21.24

Subject to dollar repurchase agreements

\$.....

21.25

Subject to reverse dollar repurchase agreements

\$.....

21.26

Pledged as collateral

\$.....

21.27

Placed under option agreements

\$.....

21.28

Letter stock or other securities restricted as to sale ...

\$.....

21.29

Other

\$.....

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

- 22.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]
- 22.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

If no, attach a description with this statement.

Yes [] No [] NA [X]
- 23.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]
- 23.2

If yes, state the amount thereof at December 31 of the current year.

\$.....

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
SUNTRUST BANK.....	1445 NEW YORK AVENUE NW, WASHINGTON, DC 200005.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
104596.....	DODGE & COX	1 SANSOME STREET, 35TH FLOOR, SAN FRANCISCO, CA 94103.....
118827.....	BYRAM CAPITAL MANAGEMENT.....	41 WEST PUTNAM AVE., GREENWICH, CT 06830.....
105758.....	CALAMOS INVESTMENTS.....	1111 EAST WARRENVILLE ROAD, NAPERVILLE, IL. 60563-1493.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [X] No []

25.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
25.2001. 922040-10-0.....	VANGUARD INSTITUTIONAL INDEX FUND.....	30,790,754.....
25.2999 TOTAL		30,790,754.....

25.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
VANGUARD INSTITUTIONAL INDEX FUND.....	GENERAL ELECTRIC.....	.....311,431.....	.....12/31/2005.....
.....

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	298,969,325	298,669,634	(299,691)
26.2 Preferred stocks.....	5,703,827	6,025,298	321,471
26.3 Totals	304,673,152	304,694,932	21,780

26.4 Describe the sources or methods utilized in determining fair values:

VALUES TAKEN FROM CUSTODY STATEMENT.....

27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$387,603

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association.....	371,537

29.1 Amount of payments for legal expenses, if any?.....\$687,329

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$0

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....
.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$ 0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$ 0

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$ 0

1.62

Total incurred claims

\$ 0

1.63

Number of covered lives

\$ 0

All years prior to most current three years:

1.64

Total premium earned

\$ 0

1.65

Total incurred claims

\$ 0

1.66

Number of covered lives

\$ 0

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$ 0

1.72

Total incurred claims

\$ 0

1.73

Number of covered lives

\$ 0

All years prior to most current three years:

1.74

Total premium earned

\$ 0

1.75

Total incurred claims

\$ 0

1.76

Number of covered lives

\$ 0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$ 1,285,226,181

\$ 1,044,153,534

2.2

Premium Denominator

\$ 1,285,226,181

\$ 1,044,153,534

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

\$ 119,898,022

\$ 95,004,232

2.5

Reserve Denominator

\$ 119,898,022

\$ 95,004,232

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2

If no, explain:

Aggregate level only (See attachment for detail)

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ 0

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Intercompany Agreement support from GHMSI and CareFirst of Maryland

7.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [X] No []

7.2

If no, give details:

8.

Provide the following Information regarding participating providers:

8.1

Number of providers at start of reporting year

20,431

8.2

Number of providers at end of reporting year

21,669

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

9.22

Business with rate guarantees over 36 months

28

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

10.22 Amount actually paid for year bonuses

10.23 Maximum amount payable withholds

10.24 Amount actually paid for year withholds

\$.....

\$.....

\$.....

\$.....

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

11.13 An Individual Practice Association (IPA), or,

11.14 A Mixed Model (combination of above) ?.....

Yes [] No [X]

Yes [X] No []

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

District of Columbia

11.4 If yes, show the amount required.

\$.....61,657,751

11.5 Is this amount included as part of a contingency reserve in stockholders equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation.

See attachment for detail

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
State of Maryland.....
District of Columbia.....
Portions east of Route 123 and the incorporated cities of Fairfax and Vienna in Northern Virginia.....

Question 5.2 Explanation for stoploss reinsurance

The Company has stoploss reinsurance on inpatient claims with GHMSI and CFMI through a self-administered experience fund based on an annual rate pmpm. Annually, if the total of (1) 20% of claims between \$50,000 and \$200,000 and (2) 100% of claims greater than \$200,000 exceeds the balance in the experience fund, then the Company is reimbursed for the excess costs.

Question 11.6 Minimum net worth requirements

Under the laws of the District of Columbia, the Company is required to maintain a minimum net worth (Surplus) of \$61,657,751 at December 31, 2005. This minimum net worth (Surplus) is calculated as the greater of:

- (A) \$1,000,000;
- (B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first \$150,000,000 of dues and 1% of annual dues on the dues in excess of \$150,000,000;
- (C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or
- (D) An amount equal to the sum of:
 - (i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and
 - (ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

- (A) 1,000,000
- (B) 14,352,262
- (C) 13,360,574
- (D) 61,657,751 (greatest amount)

Under the code of Maryland, the Company is required to maintain a surplus that exceeds the liabilities in an amount that is at least equal to the greater of \$750,000 or 5 percent of the subscription charges earned during the prior calendar year (not to exceed \$3,000,000) as recorded in the annual report filed with the Commissioner. At December 31, 2005, the minimum surplus requirement is \$3,000,000.

Under the code of Virginia, the Company is required to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission. At December 31, 2005, the minimum surplus requirement is \$4,000,000.

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	453,250,677	407,966,588	373,186,961	254,837,253	252,443,335
2. Total liabilities (Page 3, Line 22)	199,618,660	185,826,638	193,815,507	132,848,768	132,499,303
3. Statutory surplus	61,657,751	51,310,585	38,060,892	32,527,342	12,869,856
4. Total capital and surplus (Page 3, Line 31)	253,632,017	222,139,950	179,371,454	121,988,485	128,839,556
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	1,285,226,181	1,044,153,534	872,697,046	607,508,458	634,402,485
6. Total medical and hospital expenses (Line 18)	1,051,450,596	829,698,143	666,167,994	501,884,975	540,185,488
7. Claims adjustment expenses (Line 20)	41,323,212	41,896,926	39,738,849	0	0
8. Total administrative expenses (Line 21)	173,518,159	136,315,606	105,327,001	67,259,352	60,183,503
9. Net underwriting gain (loss) (Line 24)	18,934,214	36,242,859	61,463,202	2,904,763	(2,875,901)
10. Net investment gain (loss) (Line 27)	20,744,344	15,670,266	5,201,985	7,253,431	10,315,666
11. Total other income (Lines 28 plus 29)	74,618	(467,266)	(21,323)	77,778	1,653,423
12. Net income (loss) (Line 32)	33,098,441	40,402,512	50,199,277	6,185,700	7,002,290
RISK - BASED CAPITAL ANALYSIS					
13. Total adjusted capital.....	253,632,017	222,139,950	179,371,452	121,988,485	128,986,047
14. Authorized control level risk-based capital.....	40,322,556	32,232,430	24,421,958	22,442,334	24,510,753
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	446,347	405,618	370,326	309,664	288,781
16. Total member months (Column 6, Line 7)	5,250,603	4,599,200	4,176,503	3,324,481	3,733,889
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	81.8	79.5			
19. Cost containment expenses	0.9	1.1	XXX	XXX	XXX
20. Other claims adjustment expenses	2.3	2.9	5.0	0.0	0.0
21. Total underwriting deductions (Line 23)	98.5	96.5	93.0	99.5	100.5
22. Total underwriting gain (loss) (Line 24)	1.5	3.5	7.0	0.5	(0.5)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	79,697,568	90,825,948	81,477,838	69,400,686	138,894,586
24. Estimated liability of unpaid claims – [prior year (Line 12, Col. 6)]	95,004,231	109,123,945	98,378,673	82,335,651	172,365,345
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	2,892,331	2,932,830	10,594,173	20,408,453	19,105,972
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate		0	0	0	0
30. All other affiliated		0	0	0	0
31. Total of above Lines 25 to 30	2,892,331	2,932,830	10,594,173	20,408,453	19,105,972

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	61,006,936	61,037,147	61,253,466	58,938,529
	2. Canada				
	3. Other Countries				
	4. Totals	61,006,936	61,037,147	61,253,466	58,938,529
States, Territories and Possessions (Direct and guaranteed)	5. United States	1,509,768	1,522,510	1,510,325	1,500,000
	6. Canada				
	7. Other Countries				
	8. Totals	1,509,768	1,522,510	1,510,325	1,500,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	82,319,464	80,995,699	82,458,255	80,162,927
	14. Canada				
	15. Other Countries				
	16. Totals	82,319,464	80,995,699	82,458,255	80,162,927
Public Utilities (unaffiliated)	17. United States	881,106	897,085	882,021	885,000
	18. Canada				
	19. Other Countries				
	20. Totals	881,106	897,085	882,021	885,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	108,739,068	109,753,324	109,933,414	110,332,026
	22. Canada				
	23. Other Countries				
	24. Totals	108,739,068	109,753,324	109,933,414	110,332,026
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	254,456,342	254,205,765	256,037,481	251,818,482
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	2,496,321	2,794,722	2,588,619	
	32. Canada				
	33. Other Countries				
	34. Totals	2,496,321	2,794,722	2,588,619	
Industrial and Miscellaneous (unaffiliated)	35. United States	3,207,506	3,425,989	3,115,671	
	36. Canada				
	37. Other Countries				
	38. Totals	3,207,506	3,425,989	3,115,671	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	5,703,827	6,220,711	5,704,290	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	672,393	672,393	588,720	
	46. Canada				
	47. Other Countries				
	48. Totals	672,393	672,393	588,720	
Industrial and Miscellaneous (unaffiliated)	49. United States	61,209,198	61,209,198	56,385,361	
	50. Canada				
	51. Other Countries				
	52. Totals	61,209,198	61,209,198	56,385,361	
Parent, Subsidiaries and Affiliates	53. Totals	2,892,331	2,892,331	7,347,369	
	54. Total Common Stocks	64,773,922	64,773,922	64,321,450	
	55. Total Stocks	70,477,749	70,994,633	70,025,740	
	56. Total Bonds and Stocks	324,934,091	325,200,398	326,063,221	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	269,185,179	7. Amortization of premium.....	2,015,186
2. Cost of bonds and stocks acquired, Column 7, Part 3	699,332,567	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	(94,353)	8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	1,944,033	9. Book/adjusted carrying value at end of current period	324,934,093
4.4 Columns 11 - 13, Part 4	(2,425,321)	10. Total valuation allowance	
5. Total gain (loss), Col. 19, Part 4	4,309,669	11. Subtotal (Lines 9 plus 10)	324,934,093
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts	
Column 7, Part 4	645,302,495	13. Statement value of bonds and stocks, current period	324,934,093

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, Etc.	1	2	Direct Business Only					
	Guaranty Fund (Yes or No)	Is Insurer Licensed? (Yes or No)	3	4	5	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums & Deposit Type Contract Funds	8 Property/Casualty Premiums
			Premiums	Medicare Title XVIII	Medicaid Title XIX			
1. Alabama	AL	No						
2. Alaska	AK	No						
3. Arizona	AZ	No						
4. Arkansas	AR	No						
5. California	CA	No						
6. Colorado	CO	No						
7. Connecticut	CT	No						
8. Delaware	DE	No						
9. District of Columbia	DC	Yes	113,497,421			38,784,169		
10. Florida	FL	No						
11. Georgia	GA	No						
12. Hawaii	HI	No						
13. Idaho	ID	No						
14. Illinois	IL	No						
15. Indiana	IN	No						
16. Iowa	IA	No						
17. Kansas	KS	No						
18. Kentucky	KY	No						
19. Louisiana	LA	No						
20. Maine	ME	No						
21. Maryland	MD	Yes	1,010,070,226					
22. Massachusetts	MA	No						
23. Michigan	MI	No						
24. Minnesota	MN	No						
25. Mississippi	MS	No						
26. Missouri	MO	No						
27. Montana	MT	No						
28. Nebraska	NE	No						
29. Nevada	NV	No						
30. New Hampshire	NH	No						
31. New Jersey	NJ	No						
32. New Mexico	NM	No						
33. New York	NY	No						
34. North Carolina	NC	No						
35. North Dakota	ND	No						
36. Ohio	OH	No						
37. Oklahoma	OK	No						
38. Oregon	OR	No						
39. Pennsylvania	PA	No						
40. Rhode Island	RI	No						
41. South Carolina	SC	No						
42. South Dakota	SD	No						
43. Tennessee	TN	No						
44. Texas	TX	No						
45. Utah	UT	No						
46. Vermont	VT	No						
47. Virginia	VA	Yes	122,874,365					
48. Washington	WA	No						
49. West Virginia	WV	No						
50. Wisconsin	WI	No						
51. Wyoming	WY	No						
52. American Samoa	AS	No						
53. Guam	GU	No						
54. Puerto Rico	PR	No						
55. U.S. Virgin Islands	VI	No						
56. Canada	CN	No						
57. Aggregate other alien	OT	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	1,246,442,012	0	0	38,784,169	0	0
59. Reporting entity contributions for Employee Benefit Plans	XXX	XXX	0	0	0	0	0	0
60. Total (Direct Business)	XXX	(a) 3	1,246,442,012	0	0	38,784,169	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798) (Line 57 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.: Enrollment and billing systems capture and report premiums by group situs.
(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE T – PART 2
INTERSTATE COMPACT PRODUCTS – EXHIBIT OF PREMIUMS WRITTEN

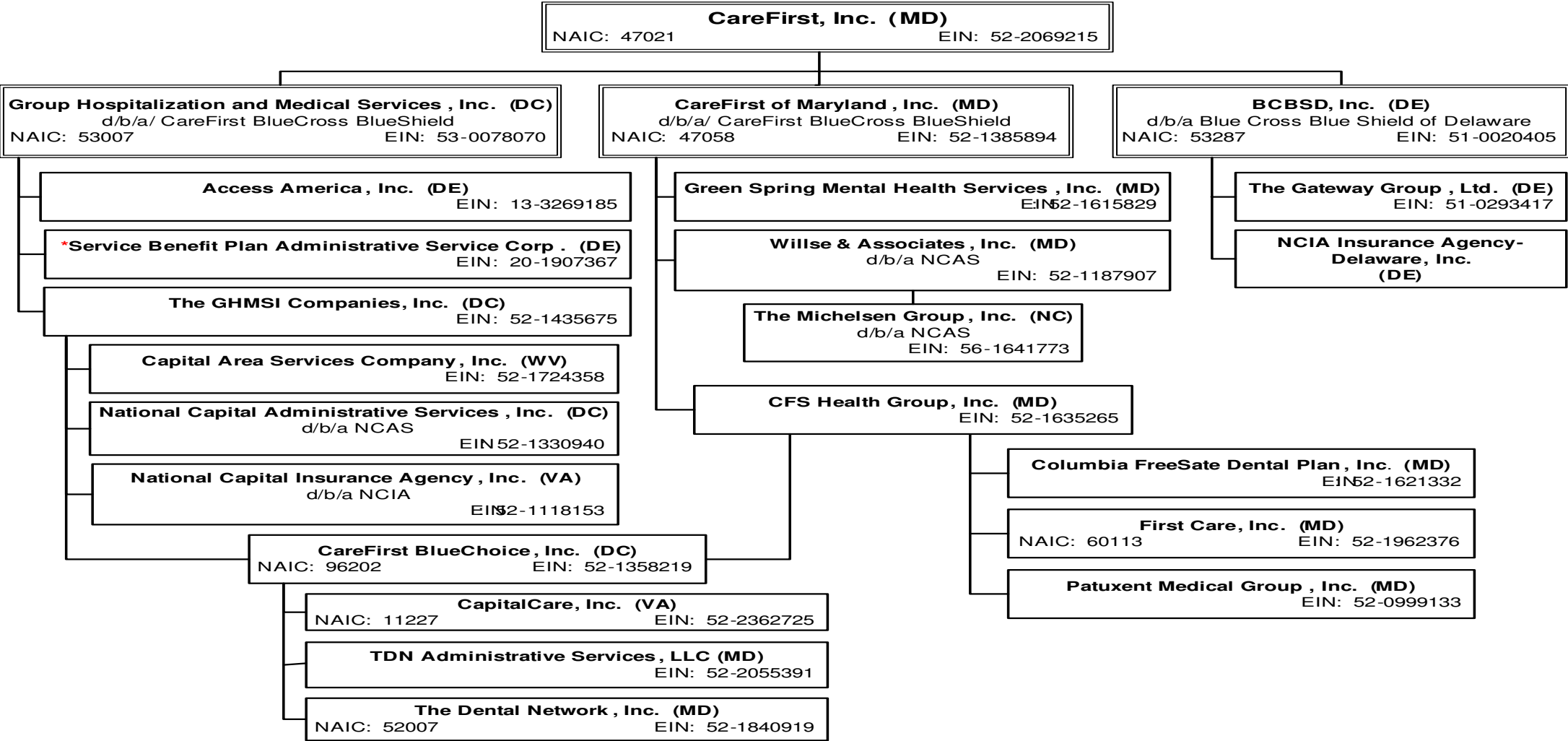
Allocated by States and Territories

States, Etc.		Direct Business Only					
		1	2	3	4	5	6
		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	Totals
1. Alabama	AL						0
2. Alaska	AK						0
3. Arizona	AZ						0
4. Arkansas	AR						0
5. California	CA						0
6. Colorado	CO						0
7. Connecticut	CT						0
8. Delaware	DE						0
9. District of Columbia	DC						0
10. Florida	FL						0
11. Georgia	GA						0
12. Hawaii	HI						0
13. Idaho	ID						0
14. Illinois	IL						0
15. Indiana	IN						0
16. Iowa	IA						0
17. Kansas	KS						0
18. Kentucky	KY						0
19. Louisiana	LA						0
20. Maine	ME						0
21. Maryland	MD						0
22. Massachusetts	MA						0
23. Michigan	MI						0
24. Minnesota	MN						0
25. Mississippi	MS						0
26. Missouri	MO						0
27. Montana	MT						0
28. Nebraska	NE						0
29. Nevada	NV						0
30. New Hampshire	NH						0
31. New Jersey	NJ						0
32. New Mexico	NM						0
33. New York	NY						0
34. North Carolina	NC						0
35. North Dakota	ND						0
36. Ohio	OH						0
37. Oklahoma	OK						0
38. Oregon	OR						0
39. Pennsylvania	PA						0
40. Rhode Island	RI						0
41. South Carolina	SC						0
42. South Dakota	SD						0
43. Tennessee	TN						0
44. Texas	TX						0
45. Utah	UT						0
46. Vermont	VT						0
47. Virginia	VA						0
48. Washington	WA						0
49. West Virginia	WV						0
50. Wisconsin	WI						0
51. Wyoming	WY						0
52. American Samoa	AS						0
53. Guam	GU						0
54. Puerto Rico	PR						0
55. U.S. Virgin Islands	VI						0
56. Canada	CN						0
57. Other Alien	OT						0
58. Totals		0	0	0	0	0	0

NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



*Service Benefit Plan Administrative Services Corporation is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.